(c) These issues would be addressed in the civil aviation policy, which is under preparation.

**LPG agencies in Nagaland**

*212. SHRI T.R. ZELIANG: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the number of LPG agencies allotted in Nagaland during the last three years;

(b) the target fixed for allotment of LPG agencies in the State during the above period; and

(c) the steps being taken by Government to meet the target?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) During the last three years, Public Sector Oil Marketing Companies (OMCs) have allotted 2 LPG distributorships in the State of Nagaland. In addition, 1 LPG distributorship has been allotted during 2004-05 (upto June), which will take the total number of distributorships in the State to 25.

(b) At present, three locations in earlier marketing plans are pending for interview in Nagaland.

(c) Indian Oil Corporation Limited (IOCL) plans to complete the interviews before September, 2004 and commission the distributorship within the financial year 2004-05.

**Reduction in social sector spending by States**

*213. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that the cash strapped State Governments have been trying to bring their fiscal deficit under control by drastically cutting down their social sector spending;

(b) whether Government are also aware that the reduced spending on social sector affects the vital public services leading to enhancement of poverty;

(c) if so, whether Government have carried out any study to find out reasons for stagnation in the expenditure on social services by majority States; and

(d) the action Government propose to take in this matter?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) As per the latest report published by the Reserve Bank of India (RBI) in April, 2004 on "State Finance—a Study of the Budgets 2003-04" the Gross Fiscal Deficit (GFD) of the State Governments as a proportion of Gross Domestic Product (GDP) declined from 4.7 per cent in 1999-2000 to 4.2 per cent in 2001-02, but increased again to 4.7 per cent in 2002-03 (RE). It is budgeted at 4.2 per cent in 2003-04 (BE). The report further stated that although the aggregate social sector expenditure (comprising social services, rural development, food, storage and warehousing) of the States witnessed a rising trend in absolute terms over the last few years, as a percentage of total expenditure of States, it declined from 35 per cent in 2001-02 to 33.5 per cent in 2002-03 (RE) and is budgeted at 33.5 per cent in 2003-04 (BE). As a percentage of GDP it increased from 5.8 per cent in 2001-02 to 6 per cent in 2002-03 (RE) and is budgeted at 5.9 per cent in 2003-04 (BE).

(b) The Government are fully aware that development of the social sectors plays a vital role for eradication of poverty. The Central Government Budget for 2004-05 has announced various employment generation and poverty alleviation programmes.

(c) The stagnation of expenditure on social services by majority of States is basically due to deteriorating State finances over the years. The proportion of States own revenue receipts to their total expenditure declined from 42.5 per cent in 2001-02 to 40.9 per cent in 2002-03 (RE) and is budgeted at 42.6 per cent in 2003-04 (BE)

(d) Based on recommendations on the Eleventh Finance Commission, the Central Government has set up an Incentive Fund with a corpus of Rs. 10,607 crore earmarked over a period of five years for encouraging fiscal reforms in the States. The Central Government has drawn up a scheme called the "State Fiscal Reforms Facility" (2000-01 to 2004-05) under which the States draw up a Medium Term Fiscal Reform Plan (MTFRP) by setting monitorable targets on fiscal consolidation, public sector enterprises reform, power sector reforms and fiscal transparency. Incentive grants amounting to Rs. 3,278 crore have been released from the Incentive Fund to the States upto 30th September, 2003. The Planning Commission is also extending support to the MTFRP by ensuring that the annual plan framework is consistent with it.